

Message Text

UNCLASSIFIED

PAGE 01 STATE 069584
ORIGIN OPIC-06

INFO OCT-01 AF-10 ISO-00 EB-08 COME-00 TRSE-00 OMB-01
AID-05 XMB-04 CIAE-00 INR-10 NSAE-00 /045 R

DRAFTED BY OPIC/F BMHENDERSON
APPROVED BY EB/IFD/ OIA:MPBOERNER
EB/IFD/OIA:DVGRANT
OPIC/ID:AKRAMISH (IN DRAFT)
AF/W:R KOTT
-----049373 190736Z /15
R 172328Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY LAGOS
AMCONSUL KADUNA

UNCLAS STATE 069584

FROM OPIC

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: FINANCING CONSTRUCTION PROJECTS

REF: (A) LAGOS 2640, (B) LAGOS 2442

1. PURPOSE OF THIS CABLE IS TO CLARIFY REFERENCES TO OPIC FINANCING, GUARANTEES AND INSURANCE IN REFTEL A. OPIC INSURANCE (PREVIOUSLY CALLED "INVESTMENT GUARANTY" OR "SPECIFIC RISK GUARANTY") COVERS U.S. EQUITY INVESTORS, U.S. CONTRACTORS, U.S. LENDERS, AND U.S. GUARANTORS OF LOANS TO PROJECTS IN LDCA AGAINST POLITICAL RISKS. PROBLEM OF OBTAINING APPROVALS (FGA'S) DISCUSSED WITH FMG AND EMBASSY DURING NOVEMBER BILATERAL DISCUSSIONS AND, ASSUMING FMG FAILS TO RESPOND TO OPIC PROPOSED EXCHANGE OF LETTERS,
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 069584

WILL BE PURSUED IN NEXT ROUND OF DISCUSSIONS. EMBASSY AWARE VARIOUS U.S. COMPANIES, INCLUDING CONSTRUCTION COMPANIES, AWAITING APPROVALS FOR OPIC INSURANCE.

2. OPIC FINANCING TAKES TWO FORMS: DIRECT LOANS AND GUARANTEES OF LOANS. DIRECT OPIC LOANS ARE TYPICALLY LESS THAN THREE MILLION DOLLARS AND MAY BE AS SMALL AS

300,000-500,000 DOLLARS. OPIC LOAN GUARANTEES (PREVIOUSLY CALLED "INVESTMENT GUARANTY" OR "EXTENDED RISK GUARANTY")

ARE FULL FINANCIAL GUARANTEES PROVIDED TO U.S. LENDERS ON LOANS BETWEEN TWO MILLION AND FIFTY MILLION DOLLARS. BOTH TYPES OF OPIC FINANCING HAVE THE SAME CRITERIA: THE FUNDS ARE LENT TO A JOINT VENTURE IN AN LDC IN WHICH AN EXPERIENCED U.S. INVESTOR TAKES A MEANINGFUL EQUITY RISK AND HAS A MANAGEMENT ROLE. THE LOANS ARE REPAYED BY PROJECT CASH FLOW; NEITHER THE U.S. INVESTORS NOR THE HOST GOVERNMENT GUARANTEES OPIC'S LOAN OR GUARANTEED LOAN. HOWEVER, UNDER THE BILATERAL WITH FMG ("INVESTMENT GUARANTY AGREEMENT"), ALL OPIC LOAN GUARANTEES MUST BE APPROVED BY THE FMG THROUGH THE FGA PROCESS. THIS IS NOT REPEAT NOT THE CASE WITH AN OPIC DIRECT LOAN, WHICH MUST BE REGISTERED LIKE ANY FOREIGN LOAN WITH MINFIN, BUT DOES NOT REQUIRE AN FGA.

3. PARA 2 SHOULD THEREFORE CORRECT REFTEL (A) STATEMENT THAT "OPIC DOES NOT GUARANTEE OTHER U.S. LOANS." OPIC'S GUARANTEES AND LOANS ARE DIFFERENT FROM EXIMBANK'S FINANCING FACILITIES IN THAT OPIC'S FINANCING MAY BE USED BY THE PROJECT (THE BORROWER) FOR U.S. GOODS AND SERVICES OR GOODS AND SERVICES PRODUCED IN ANY LDC. OPIC FINANCING IS LONG TERM, TYPICALLY SEVEN TO TWELVE YEARS, AND IS OFTEN USED PARTIALLY TO FINANCE LOCAL COSTS. OPIC'S FINANCING IS ONLY AVAILABLE IF A U.S. COMPANY MAKES AN INVESTMENT

UNCLASSIFIED

PAGE 03 STATE 069584

IN A JOINT VENTURE IN AN LDC. OPIC FINANCING THEREFORE IS NOT AVAILABLE FOR CONSTRUCTION CONTRACTS, WHERE NO ONGOING INVESTMENT IS MADE BY THE U.S. CONTRACTOR.

4. REFTEL (B) RECOMMENDS TEST CASE PROJECT FOR OPIC FINANCING. OPIC IS INTERESTED IN AGRIBUSINESS (C.F. UNIVERSAL FOODS FEASIBILITY ASSISTANCE), AND INDUSTRIAL PROJECTS, BUT MAY NOT PER STATUTE FINANCE HOUSING PROJECTS CITED IN REFTEL (B). WOULD APPRECIATE FURTHER KADUNA OR LAGOS COMMENT ON WHERE OPIC FINANCING MIGHT FIT IN NIGERIAN PICTURE. VANCE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, FINANCE, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE069584
Document Source: CORE
Document Unique ID: 00
Drafter: F BMHENDERSON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780121-0780
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780353/aaaabsjv.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 99ab7cc4-c288-dd11-92da-001cc4696bcc
Office: ORIGIN OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 LAGOS 2640, 78 LAGOS 2442
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3285935
Secure: OPEN
Status: NATIVE
Subject: FINANCING CONSTRUCTION PROJECTS
TAGS: EFIN
To: LAGOS KADUNA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/99ab7cc4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014